Name: Intuit Australia

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1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

Australia's current corporate tax framework presents significant challenges that deter both domestic and foreign investment, subsequently impacting risk-taking and overall productivity.
Uncompetitive Corporate Tax Rate: Australia's corporate tax rate of 30% for medium-sized and large businesses is notably above the OECD average of approximately 23%. This positions Australia among the least competitive globally, particularly when compared to peer economies like New Zealand, the United States, and the United Kingdom. A higher tax rate directly reduces businesses' after-tax returns, diminishing their incentive to invest in new projects, technologies, and expansion - all critical for productivity growth.
Burdensome State and Territory Taxes: The heavy reliance of state and territory governments on inefficient taxes, such as payroll tax, imposes a significant administrative, compliance, and financial burden on businesses. The complexity and inconsistency of these regimes across jurisdictions further exacerbate this burden. Such taxes add to the operational costs for businesses, reducing their capacity for investment and risk-taking.
The complexity and fragmentation of Australia's tax and regulatory environment impose substantial compliance costs, particularly on SMEs, which typically lack the extensive resources of larger corporations.
Overall Complexity of the Australian Tax System: Australia's tax system is widely regarded as overly complex, burdensome, and costly to administer. These factors make effective tax planning a significant challenge for businesses. The tax system heavily relies on distortionary taxes, which lead to inefficient outcomes resulting in structural weaknesses in public finances.
Disproportionate Burden on Small Businesses: SMEs disproportionately bear the brunt of compliance burdens due to limited personnel and resources. They lack the capacity to hire large teams of tax advisers, lawyers or compliance specialists to navigate complex taxation requirements to develop efficient taxation strategies. Time and money spent on voluminous tax reporting and administration is therefore diverted from growth activities.
Our research indicates that SME owners spend more than a third of their time (40%) on administrative tasks, including record-keeping, transaction entry, and BAS/tax reporting, which they report makes running a business less enjoyable and detracts from time that could be spent on other more productive activities such as business development.
Lack of Understanding of Regulatory Requirements: A significant barrier to compliance among small businesses is a lack of awareness and understanding. Our research shows that only 1 in 4 small businesses have a very thorough understanding of all applicable

legislation and policies, with most (55%) relying on a basic understanding, and almost all (92%) seeking external advice, which often comes at great expense.
Recommendations for Reducing Compliance Burden and Fostering Investment
To foster a more dynamic and resilient economy, Intuit recommends the following policy reforms to reduce regulatory burdens and stimulate investment:
Promote Digital Financial Reporting and Technology Adoption:
Support for Digital Reporting: Develop government support programs, incentives, and grants (such as tax credits for digital technology investment) to boost SME uptake of digital financial reporting software and services. Such technology can automate many manual tasks and save business owners many hours a week of administration.
Leverage Existing Digital Capabilities: Explore expanding existing capabilities, such as Single Touch Payroll data collection, to include other real-time reporting requirements like PAYG instalments or monthly GST reporting. This would simplify compliance for SMEs and improve data accuracy for the ATO.
Enhance Government Engagement and Education for SMEs:
Educative and Facilitative Approach: Regulators should adopt an educative and facilitative approach to compliance, working closely with SMEs and their support networks, such as accountants. Accountants are a primary source of advice for SMEs on regulatory requirements. More regulatory guides, compliance checklists and other easy-to-navigate resources should be made available for SMEs.
Public-Private Partnerships:
Leverage the private sector through public-private partnerships to accelerate digital education and adoption among SMEs, providing tailored resources and incentives.
Tax Reform:
Address Distortionary State Taxes: Work with states and territories to reduce or eliminate unproductive taxes such as payroll tax, stamp duties, and insurance taxes. Initial focus should be on harmonising payroll tax rates, thresholds, and exemptions, alongside greater digitisation and integration of payment platforms.
Streamline Regulatory Processes and Reduce Red Tape:
Dedicated Red Tape Reduction Initiatives: Support a coordinated red-tape reduction agenda, including the creation of a cross-agency 'Red Tape Taskforce' and potentially appointing a dedicated Minister for Red Tape Reduction. This is essential to address the accumulated layers of red tape that burden businesses, particularly SMEs.
Small Business Impact Analysis (SBIA): Mandate that a Small Business Impact Analysis be undertaken and published for all new or amended legislative or regulatory proposals. This ensures that the unique needs and resource constraints of small businesses are considered, preventing disproportionate compliance burdens.
User-Centric Regulatory Design: Centralise a user-centric approach in the design and implementation of regulations, involving all affected stakeholders including industry bodies and business representatives.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

Australian SMEs encounter several significant difficulties that contribute to the time and cost intensity of corporate tax compliance. These challenges stem from a combination of regulatory complexity, operational limitations, and evolving technological landscapes:
Complexity and Lack of Understanding of Regulatory Requirements: Our research indicates that only one in four small businesses thoroughly understand the legislation and policies applicable to their operations, with over half (55%) relying on a basic

understanding. This necessitates that almost all small business owners (92%) seek external advice to navigate these complexities, creating a dependency that adds to their operational burden. The complexity extends to distinguishing between various levels of government, with 30% finding the Federal Government most complex, 26% identifying State Governments, and 15% finding local governments most complicated.
Time and Cost of Administrative and Reporting Tasks: On average, small business owners dedicate approximately one-third of their time (40%) to administrative tasks. Key administrative tasks that consume significant time include recording all transactions (57%), entering transactions into books (40%), and performing Business Activity Statement (BAS) and tax reporting (36%). For 39% of respondents, this high administrative load diminishes the enjoyment of running their business.
Digital Transition: A substantial number of SMEs still rely on manual recording methods, leading to issues like incorrect records, application errors, and the potential for financial data to spread inadvertently. The shift from traditional, often paper-based, accounting and business management to digital platforms addresses critical pain points for SMEs, such as the inaccuracies and inefficiencies inherent in manual recording methods, and the complexity associated with fulfilling reporting obligations using disparate systems. Digital tools, especially those powered by Artificial Intelligence, enable SMEs to automate a wide range of administrative and operational tasks that traditionally consume significant time and resources. This automation directly translates into increased efficiency and frees up valuable time for business owners and their teams to focus on strategic initiatives, customer engagement, and core business growth.
Strategies to Reduce the Corporate Tax Compliance Burden
Intuit believes that addressing these challenges requires a concerted effort from policymakers, industry, and businesses to foster a more supportive and streamlined environment. Our recommendations for reducing the corporate tax compliance burden for SMEs in Australia are multifaceted:
Regulatory Reform:

Clearer Guidelines for Tax Advice: Clear definitions and guidelines on what constitutes "tax advice" in the context of technology solutions are needed to foster innovation and ensure compliance.
Digital Adoption and Technology Integration:

Incentivise Digitalisation: Policymakers should actively encourage the adoption of digital tools through scaled government resources, financial incentives like tax credits and grants, and support programs to boost the uptake of digital financial reporting software and services, while ensuring support for small businesses if mandates are chosen.
Leverage AI-Powered Solutions: AI-powered accounting software, such as Intuit QuickBooks, can significantly streamline financial management by automating data entry, receipt capture, transaction matching, and cash flow forecasting. These tools can enhance efficiency, reduce manual effort, and provide data-driven insights for better decision-making. Intuit is committed to democratising AI, making it accessible to all SMEs regardless of their size or technical expertise.
Promote Digital Financial Reporting: Expanding mandatory digital financial reporting could enhance efficiency, transparency, and accuracy, moving away from costly and error-prone hard copy or PDF submissions. User-friendly tax preparation software, mobile apps, and cloud-based platforms can further facilitate this process.

einvoicing Implementation: Engaging with digital tax initiatives and eInvoicing will streamline operations for SMEs, reduce compliance burdens, and enhance financial transparency. A phased, voluntary approach to eInvoicing for B2B transactions should be explored to tackle late payments, given its success in other countries.
Corporate Tax System Specific Reforms:

Payroll Tax Reform: State and territory payroll taxes impose significant administrative, compliance, and financial burdens on businesses due to their complexity and inconsistency across jurisdictions. The Commonwealth should lead efforts to include payroll tax reform on the Council of Federal Financial Relations (CFFR) agenda, focusing on harmonisation of rates, thresholds, and greater digitisation of payment platforms.
Harmonisation of Long Service Leave Rules: The harmonisation of Long Service Leave rules between states and territories should also be included on the CFFR agenda. This is particularly important given the loyalty often shown by small business employees, and consistent rules would simplify compliance for employers.
Award System Complexity: The complexity of the award system is a significant issue. Errors in award interpretation can have flow-on effects to payroll tax, superannuation, and other payments, leading to increased compliance burdens and potential penalties for employers. Simplification and clearer guidelines are needed.
Education, Awareness, and Direct Support:

Prioritise Digital Literacy: Actively seeking opportunities to enhance SMEs' understanding of AI and digital tools, utilising resources from organisations like the National AI Centre, is crucial. Policymakers should provide accessible training programs and promote digital literacy initiatives.
Educative and Facilitative Approach: Regulators should adopt an educative and facilitative approach to compliance, working closely with SMEs and their accountants. Accountants are a key resource, with 68% of small businesses relying on them to stay informed about regulatory requirements.
Empower SME Voice in Policy: Intuit champions giving small businesses a seat at the table with policymakers and regulators, advocating for their voices to be heard and understood by governments worldwide.
By implementing these comprehensive strategies, focusing on both systemic tax reform and practical digital enablement, the Australian government can significantly reduce the compliance burden on SMEs, fostering a more dynamic, resilient, and prosperous economy for all.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Intuit believes that well-designed, outcomes-based regulatory frameworks are crucial for fostering a dynamic and resilient economy, as they encourage innovation, reduce costs, and empower businesses to adapt to changing conditions. We have identified several areas of regulation that, when properly implemented, enhance business dynamism and resilience:
Firstly, Standardised Business Reporting (SBR) and digital financial reporting initiatives

significantly enhance efficiency, transparency, and accuracy for businesses and tax administration. This streamlining of processes, including e-invoicing and e-filing, helps businesses manage their finances more efficiently and accurately, saving valuable time previously spent on cumbersome and error-prone manual tasks.

Secondly, beyond streamlining internal processes, empowering businesses with control over their data also fosters dynamism. In this regard, the Consumer Data Right (CDR) framework, particularly with the inclusion of the Business Consumer Disclosure Consent (BCDC) and seven-year consents for businesses, is a commendable step forward. This approach aligns with successful models, such as the UK Open Banking regime, and is expected to significantly increase participation by small businesses in the data-sharing economy. The CDR is vital for enhancing competition, fostering innovation, and expanding consumer choice, primarily by reducing switching costs and improving data transparency and privacy protections. It empowers consumers to securely access and share their financial data, which is fundamental for powering personal financial management, accounting, and tax tools.

Thirdly, risk-based and context-specific AI regulation is essential to harness the productivity potential of Artificial Intelligence while mitigating risks and building public trust. We commend the Australian government's proactive approach in shaping a regulatory landscape that balances fostering innovation with establishing mandatory guardrails for 'high-risk' AI applications. This approach ensures that regulations are proportionate, effective, and technology-neutral, which is crucial for promoting continued innovation without stifling the benefits of AI for small businesses and consumers.

2. How has your regulatory burden changed over time?

Intuit has observed a discernible increase in the burden of government regulation, particularly for SMEs, with new regulatory measures and increased transparency requirements. This heightened complexity disproportionately impacts SMEs, who often lack the extensive financial and human resources of larger corporations to manage sophisticated compliance requirements.

Specific examples illustrating this evolving regulatory landscape include:

Expanding Compliance Obligations: Businesses face a continuously growing list of future compliance obligations, such as payday super, tax transparency, ESG (Environmental, Social, and Governance) reporting, and climate-related disclosures. Without a simplified regulatory framework, these obligations risk overwhelming businesses, diverting resources from core operations.

Data Retention Obligations: Onerous data retention obligations, especially those with contradictory timescales for different types and categories of data (whether stored digitally or physically), represent a major burden. The complexities and concerns about potential future investigations or audits often lead to indefinite data retention, even when the usefulness of the data has expired, resulting in significant storage costs and the need for costly legal advice in cases of unclear obligations.

Cumulatively, these changes place a significant time commitment (around 40%, as highlighted earlier) that small business owners spend on administrative tasks. For 39% of these owners, this administrative burden diminishes the enjoyment of running their business. This time and effort would otherwise be directed towards core business activities, innovation, and growth.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

The participant did not respond to this question.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Intuit has observed varied approaches by regulators in addressing and, at times, inadvertently increasing the regulatory burden on businesses.

Examples of Good Regulatory Practice in Understanding and Reducing Burden:

Singapore's Proactive AI Governance: Singapore has positioned itself as a frontrunner in AI governance by establishing a comprehensive Model AI Governance Framework and the AI Verify toolkit. These initiatives offer tangible recommendations and tools for organisations to assess and benchmark their AI systems against internationally recognised ethical principles. This proactive, yet principles-based approach, encourages innovation while promoting responsible AI development and safeguarding public trust.

New Zealand's Light-Touch AI Regulation: New Zealand's preference for a light-touch, proportionate, and risk-based strategy for AI regulation is another commendable approach. By opting to leverage existing technology-neutral laws and considering regulatory intervention only when necessary, rather than introducing broad, AI-specific legislation, New Zealand aims to avoid harming productivity and innovation. This pragmatic stance favours agile options like voluntary guidance, industry codes, and technical standards, which supports a flexible and adaptable business environment.

UK's Making Tax Digital (MTD): The UK's MTD initiative is viewed as a highly successful catalyst for SME digital adoption, having saved UK businesses significant time and improved cash flow forecasting. This demonstrates how digital-first solutions, when effectively implemented, can simplify business administration and unlock greater efficiencies for small firms.

Examples of Regulatory Approaches that Have Increased Burden or Created Challenges:

Proposed Removal of Small Business Exemption from Australian Privacy Act: The proposal to remove the small business exemption from the Privacy Act would impose incredibly high compliance costs and burdens on small businesses. Despite assurances of support resources, the requirement for small businesses to familiarise themselves with complex data protection rules, particularly in the current economic climate, would be a substantial imposition. We advocate for a cascading of obligations based on business size, as seen in other jurisdictions, to strike a more appropriate balance between data protection and innovation.

Time-Limited Consents and Paper Forms in Australia's CDR: While the CDR offers significant potential, certain operational aspects have proven challenging. The reliance on paper forms for nominated representative processes is contrary to the intent of a digital regime and drastically limits scalability. Furthermore, while the introduction of seven-year consents is an improvement, the inability to offer ongoing use consents for business consumers creates friction. The requirement to delete all CDR data upon the lapse of a 'use' consent can lead to significant disruptions for small businesses, potentially rendering them non-compliant with other record-keeping obligations required by law.